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98th Congress, 1st Session - - - - - - - House Document No. 98-5

TRADE AGREEMENTS

COMMUNICATION

FROM

THE UNITED STATES TRADE REPRESENTATIVE

TRANSMITTING

COPIES OF TRADE AGREEMENTS ACCOMPANIED BY THE REQUIRED STATEMENTS OF THE REASONS FOR THE ENTRY INTO SUCH AGREEMENTS, PURSUANT TO SECTION 162(a) OF PUBLIC LAW 93-618

JANUARY 3, 1983.—Referred to the Committee on Ways and Means and ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE

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THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

December 14, 1982

0630

The Honorable Thomas P. O'Neill, Jr.
Speaker
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Pursuant to section 162(a) of the Trade Act of 1974 (19 U.S.C. 2212(a)), I am submitting herewith copies of an agreement entered into in 1979 during the Tokyo Round of trade negotiations, which did not enter into force until this year, and of two agreements entered into under the residual authority in section 124 of the Trade Act of 1974 (19 U.S.C. 2134). Each agreement submitted is accompanied by the required statement of the reasons for the entry into such agreement.

To comply with section 162(b) of the Trade Act of 1974, copies of these required statements will be transmitted to each Member of Congress.

Very truly yours,

WILLIAM E. BROCK

WEB:hlp

Enclosures

Memorandum of Understanding
between the Delegations of Thailand and
the United States to Multilateral Trade Negotiations
Geneva, April 9, 1979

Explanation of the Agreement

The United States received important concessions for turkey offals, oscilliscopes, centrifuges, aircraft gasoline engines, and sterilizing apparatus. Key concessions to Thailand include rubies jute cordage and hardwood flooring. The 1980 trade value of the concessions the United States received is $249 million. The concessions the United States gave Thailand had a trade value of $147 million.

Background of Negotiations

Thailand's offer is in three parts - Nine items for which ceiling bindings range from 10 to .5 points above currently applied rates, four items bound at existing rates and two items (turkey offals and oscilliscopes/oscilliographs) on which existing rates are being reduced over 5 years. One item (aeroplanes) accounts for 98 percent of the trade value of the concessions received by the United States.

Based on the terms of the ad referendum agreement, the U.S. is reducing tariffs by 83 percent. However, this is due to the fact that one product (rubies and sapphires) account for one-half of our entire offer of $147 million. The tariff on this item is reduced from 4 percent to free. Although the other products covered by the U.S. offer are smaller in trade value, the U.S. reduced the tariff on five other products to zero and granted 60 percent reduction on 19 others.

Thailand became a contracting party to the General Agreement on Tariffs and Trade on November 20, 1982. The United States agreed that the tariff concessions granted to the United States in the MTN constituted Thailand's contribution to her accession to the GATT, and they are included in the protocol to the GATT. Many other products of priority interest to the United States were negotiated with Thailand by other contracting parties of the GATT and will be applied to the United States on an MFN basis.

Due principally to technical questions relating to the scope of certain concessions, the entry into force of this MTN agreement was delayed until 1982.

Summary of Reasons for Entering Into the Agreement and Anticipated Economic Effects

The ad referendum may not have major trade creating effects. U.S. concessions are of excellent quality but cover exports for which Thailand already has well established markets. Thailand's

concessions offer U.S. exporters access to the domestic market which they will pursue vigorously in order to gain the benefits of the agreement.

MEMORANDUM OF UNDERSTANDING
BETWEEN THE DELEGATIONS
OF THAILAND AND THE UNITED STATES
TO THE MULTILATERAL TRADE NEGOTIATIONS
APRIL 9, 1979, GENEVA

1. This memorandum sets forth the mutual trade concessions and contributions to the Multilateral Trade Negotiations agreed to by the Delegations of Thailand and the United States of America for submission to their respective governments for approval.

2. The United States is prepared to respond to the tariff requests of Thailand with bound tariff concessions as set forth in Schedule A-1. The United States is further prepared to respond to the requests of Thailand with bound tariff concessions as set forth in Schedule A-2 provided that the United States receives satisfaction from other trading partners on these items.

3. Thailand, in accordance with the provisions of the Tokyo Declaration, is prepared to make a contribution to the Multilateral Trade Negotiations consistent with its trade, financial and development situation. In this light, Thailand is prepared to respond to the tariff requests of the United States with bound tariff concessions as set forth in Schedule B.

4. It is understood that no measure shall be adopted or modified by either government adversely affecting the concessions granted in the Schedules which is inconsistent with the provisions of the General Agreement on Tariffs and Trade. The Schedules, however, may be subject to technical and legal corrections which would not change their meaning and substance.

5. Any problem affecting the implementation of the concessions contemplated by the agreement shall be resolved through bilateral consultation and negotiation. The United States will notify and consult with Thailand concerning any modification to the concessions in Schedule A-2.

6. The provisions of this Memorandum of Understanding, subject to and upon approval of both governments, shall take effect on a mutually agreed date.

For the Delegation
of Thailand

For the Delegation
of the United States

SCHEDULE A-1

Item	Product Description	Base rate of Duty	Concession rate of Duty
113.01	Fish pastes and sauces	4.0%	Free
125.70	Orchid Plants	4.0%	Free
140.09	Mung beans, 5/1-8/31	0.6¢/lb	Free
140.14	Mung beans, 9/1-4/30	1.2¢/lb	0.5¢/lb
202.60	Hardwood flooring except in strips or planks	8.0%	3.2%
304.40	Kapok fibers, processed	4.0%	Free
315.80	Jute cordage, not bleached, colored or treated, the singles yarn of which measure under 720 yards per lb	10.0%	4.0%
315.85	Jute cordage, not bleached, colored or treated, the singles yarn of which measures 720 yds or over per lb	12.5%	5.0%
315.90	Jute cordage, bleached, colored or treated, the singles yarn of which measures under 720 yds/lb	10.5%	4.2%
315.95	Jute cordage, bleached, colored or treated, the singles yarn of which measures 720 yds or over per lb	13.0%	5.2%
329.30 through 329.39	Woven fabrics, in chief value, but not wholly, of cotton: fancy or figured: not bleached and not colored	15.21% through 16.92%	11.2% through 12.3%
363.80	Silk bedding, not ornamented	13.5%	5.4%
367.45	Other silk furnishings, not ornamented	13.5%	5.4%
382.04.25	Women's, girls' or infants' knit panty hose	42.5%	17.0%
520.35	Rubies and sapphires	4.0%	Free
652.12.40	Iron and steel chains and parts thereof, valued under 40¢/lb	12.5%	5.0%
727.82	Pillows, cushions, matresses etc. of cotton	15.0%	6.0%

SCHEDULE A-2

Item	Product Description	Base rate of Duty	Concession rate of Duty
11.60	Fish, nspf, pickled or salted in containers not over 15 lbs	12.5%	10.0%
140.35	Lentils	0.15¢/lb	Free
148.98	Pineapples, prep. or pres.	0.75¢/lb	0.25¢/lb
149.60	Other fruits, nes, prep/pres	17.5%	7.0%
Ex 150.00	Mixtures of two or more fruits, not incl. apricots, citrus, peaches or pears	17.5%	7.0%
165.44	Pineapple juice, not concentrated	20¢/gal	10¢/gal
165.46	Pineapple juice, other	15.2% AVE	6.1% AVE
192.20	Cut flowers	10.0%	8.0%
162.15	Mixed spices	7.5%	3.0%
222.32	Woven material of chips for blinds, shutters, curtains, etc.	12.5%	6.6%
305.30	Yarns and roving of jute; plied: measuring 720 yds or over/lb	12.5%	5.0%
338.30.68	Polyester woven fabric with spun yarn not bleached or colored	25.6%	17.0%
364.25	Silk tapestries	13.5%	6.9%
365.82	Net furnishings, ornamented or non ornamented	20.0%	12.8%
382.04.76	Women's, girls' or infants' ornamented skirts, of man made fibers, not knit	42.5%	17.0%
386.30	Other articles, not ornamented, of cotton, velveteen, velvet, plush, velour or any combination thereof	28.0%	11.2%
601.54	Tungsten ore	4.7% AVE	3.3% AVE
624.03	Unwrought lead, other	5.5% AVE	4.0% AVE
694.30	Kites and parts thereof	12.5%	5.0%
91.90	Leather articles, nes	4.0%	Free

SCHEDULE B

Tariff Item	Product Description	Base rate of Duty	Concession rate of Duty
130344	Liquorice extract	33%	33%
1902A	Milk based infant food	10%	10%
Ex 160201	Prep. or pres. meat or offals of turkey	80% or 50 baht per kg, w.i.g.	30% or 20 baht per kg, w.i.g.
250704	Bentonite	0.11 baht/kg	0.12 baht/kg
370211	Color cinemagraphic film, 35 mm	20%	22%
370214	Black and white cinemagraphic film, 35 mm	20%	22%
381121	DDT preps., not put up in aerosol tins	5%	5.5%
381600	Prep. cultured media for development of micro-organisms	30%	33%
840601	Gas and gasoline engines for aircraft (imported for replacement or repair purposes)	free	free
841706	Sterilizing apparatus, pasteurisers	10%	10%
841803	Centrifuges	10%	10%
842801	Poultry incubators and breeders	0%	10%
845701	Glass working machines	15%	16.5%
880201	Aeroplanes	0%	10%
880202	Heliocopters	0%	10%
880301	Parts for aeroplanes	0%	10%
880302	Parts for heliocopters	0%	10%
902830	Oscilloscopes, oscillographs	30%	15%

IMMEDIATE

No.0502/59093

Ministry of Foreign Affairs,
Sararom Palace.

28 September B.E. 2525

Dear Mr. Moran,

With reference to your note dated 11 January, 1982, concerning the Memorandum of Understanding between Thailand and the United States of America, signed on 9 April 1979 in Geneva, in the context of the Multilateral Trade Negotiations, I have the honour to inform you that the Royal Thai Government hereby proposes that the Memorandum of Understanding takes effect pursuant to paragraph six of said Memorandum on 1 January, 1982. On and after that date, Thailand's concessions granted to the United States of America as set forth in Schedule B of the Memorandum (as attached hereto) shall be applied by Thailand to the United States of America.

In this connection, I have further the honour to confirm the understanding of the Royal Thai Government that the tariff concessions granted to the United States of America in the context of the Multilateral Trade Negotiations as set forth in Schedule B shall be deemed to constitute the tariff contribution of Thailand towards her accession to the General Agreement on Tariffs and Trade in so far as the United States of America is concerned.

It is also my understanding that to formally conclude the matter, your Embassy will in reply send me a similar note accepting the proposal of the Royal Thai Government as stated above.

Yours sincerely,

Sompongse Faichampa

(Mr. Sompongse Faichampa)
Deputy Director-General
Economic Department

Mr. David R. Moran,
First Secretary,
Embassy of the United States of America,
BANGKOK.

SCHEDULE -B

CONCESSIONS WHICH THAILAND GAVE TO THE UNITED STATES

A. Items of which tariff rates to be reduced in five stages

1. Heading number 16.02 Prepared or preserved meat or offals of turkey

Reduce to	70%	or	44	Baht/kg	Commencing on	1	January	1982
"	60%	"	38	"	"	"	1	"	1983
"	50%	"	32	"	"	"	1	"	1984
"	40%	"	26	"	"	"	1	"	1985
"	30%	"	20	"	"	"	1	"	1986

2. Heading number 90.28 Oscilloscopes, oscillographs

Reduce to	27%	Commencing on	1	January	1982
"	24%	"	1	"	1983
"	21%	"	1	"	1984
"	18%	"	1	"	1985
"	15%	"	1	"	1986

B. Items of which tariff rates to be bound at the existing rates

Heading No.	DESCRIPTIONS	Existing rates
19.02	Milk based infant food	10%
84.06	Gas and gasoline engines for aircraft (imported for replacement or repair purposes)	Free
84.17	Sterilizing apparatus, pasteurisers	10%
84.18	Centrifuges	10%
	These rates will be implemented in full with effect from 1 January 1982.	

C. Items of which tariff rates to be bound at the rates above the existing rates

Heading No.	DESCRIPTIONS	EXISTING RATE	CONCESSION RATE
13.03	Liquorice extract	30%	33%
25.07	Bentonite	0.11Baht/kg	0.12Baht/kg
37.02	Color cinemagraphic film, 35 mm.	20%	22%
37.02	Black and white cinemagraphic film, 35 mm.	20%	22%
38.11	DDT preparation, not put up in aerosol tins	5%	5.5%
38.16	Preparation cultured media for development of microorganisms	30%	33%
84.28	Poultry incubators and brooders	0%	10%
84.57	Glass working machine	15%	16.5%
88.02	Aeroplanes	0%	10%
88.02	Helicopters	0%	10%
88.03	Parts of aeroplanes	0%	10%
88.03	Parts of helicopters	0%	10%

These rates will be implemented in full with effect from 1 January 1982.

No. 586

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and has the honor to inform that with reference to your Note Number 0502/59093 of September 28, 1982, the Government of the United States accepts your proposal that the Memorandum of Understanding between our two Governments, of April 9, 1979, take effect pursuant to paragraph six of the Memorandum on 1 January 1982.

On and after that date, the United States' concessions in Schedules A-1 and A-2 to the Memorandum (as attached hereto) shall be applied by the United States to Thailand as though Schedule XX (United States) to the Geneva (1979) protocol to the General Agreement on Tariffs and Trade in which all such concessions were listed, were in effect between the United States and Thailand.

The United States Government confirms the understanding of the Royal Thai Government that the concessions granted to the United States by Thailand in the context of the Multilateral Trade Negotiation shall be deemed to constitute the tariff contribution of Thailand towards its GATT accession insofar as the United States is concerned.

The Embassy of the United States of America avails itself of this opportunity to renew to the Royal Thai Government the assurances of its highest consideration.

Embassy of the United States of America

Bangkok, October 21,1982.

SCHEDULE A-1

Item	Product Description	Base rate of Duty	Concession rat of Duty
113.01	Fish pastes and sauces	4.0%	Free
125.70	Orchid Plants	4.0%	Free
140.09	Mung beans, 5/1-8/31	0.6¢/lb	Free
140.14	Mung beans, 9/1-4/30	1.2¢/lb	0.5¢/lb
202.60	Hardwood flooring except in strips or planks	8.0%	3.2%
304.40	Kapok fibers, processed	4.0%	Free
315.80	Jute cordage, not bleached, colored or treated, the singles yarn of which measure under 720 yds per lb.	10.0%	4.0%
315.85	Jute cordage, not bleached, colored or treated, the singles yarn of which measures 720 yds or over per lb.	12.5%	5.0%
315.90	Jute cordage, bleached, colored or treated, the singles yarn of which measures under 720 yds/lb	10.5%	4.2%
315.95	Jute cordage, bleached, colored or treated, the singles yarn of which measures 720 yds or over per lb.	13.0%	5.2%
329.30 through 329.39	Woven fabrics, in chief value, but not wholly, of cotton: fancy or figured: not bleached and not colored	15.21% through 16.92%	11.2% through 12.4%
363.80	Silk bedding, not ornamented	13.5%	5.4%
367.45	Other silk furnishings, not ornamented	13.5%	5.4%
383.2030	Women's, girls' or infants' knit panty hose	42.5%	17.0%
520.35	Rubies and sapphires	4.0%	Free
652.14	Iron and steel chains and parts thereof, valued under 40¢/lb	12.5%	5.0%
727.82	Pillows, cushions, mattresses etc. of cotton	15.0%	6.0%

SCHEDULE A-2

Item	Product Description	Base rate of duty	Concession rate of duty
111.60	Fish, nspf, pickled or salted in containers not over 15 lbs	12.5%	10.0%
148.98	Pineapples, prep. or pres.	0.75¢/lb	0.25¢/lb
149.60	Other fruits, nes. prep/pres	17.5%	7.0%
150.02	Mixtures of two or more fruits, not incl. apricots, citrus, peaches or pears	17.5%	7.0%
192.17	Cut flowers, carnations	10.0%	8.0%
192.18	Cut flowers, roses	10.0%	8.0%
192.21	Cut flowers, other	10.0%	8.0%
162.15	Mixed spices	7.5%	3.0%
222.32	Woven material of chips for blinds, shutters, curtains, etc.	12.5%	6.6%
305.30	Yarns and roving of jute; plied: measuring 720 yds or over/lb	12.5%	5.0%
338.50PT	Polyester woven fabric with spun yarn not bleached or colored	25.6% AVE	17.0%
364.25	Silk tapestries	13.5%	6.9%
365.81	Net furnishings, ornamented or non-ornamented	20.0%	12.8%
365.83	Net furnishings, ornamented or non-ornamented	20.0%	12.8%
365.84	Net furnishings, ornamented or non-ornamented	20.0%	12.8%
383.2340	Women's, girls' or infants' ornamented skirts, of man made fibers, not knit	42.5%	17.0%
386.30	Other articles, not ornamented, of cotton, velveteen, velvet, plush, velour or any combination thereof	28.0%	11.2%
601.54	Tungsten ore	4.7% AVE	3.3% AVE
624.03	Unwrought lead, other	5.5% AVE	4.0% AVE
694.31	Civil kites and parts thereof	12.5%	5.0%

SCHEDULE A-2 - continued

Item	Product Description	Base rate of duty	Concession rate of duty
694.65	Military kites and parts thereof	12.5%	5.0%
791.90	Leather articles, nes	4.0%	free

JAPAN

Agreement between the United States and Japan on the Mutual Acceleration of Tariff Reductions on Semiconductors

Explanation of the Agreement

Under the agreement, which took the form of an exchange of letters between U.S. Trade Representative William E. Brock and Japanese Ambassador to the United States Yoshio Okawara, the United States agreed to accelerate the reduction of its tariffs on semiconductors, previously agreed to during the Multilateral Trade Negotiations (MTN), in two stages. The U.S. tariff was reduced from 5.3 percent ad valorem to 4.24 percent in January 1982 and will be further reduced to 4.2 percent in January 1983. In return, Japan agreed to accelerate its tariff reduction for the same group of semiconductor items (except for two items for which the Japanese MTN concession is 4.3 percent) from 10.1 percent to the final Japanese MTN concession rate of 4.2 percent in April 1982, following the approval of the Japanese Diet.

The agreement also provides for the acceleration of tariff reductions by the U.S. Government on two items other than semiconductors as a token of appreciation for unilateral action by the Government of Japan to improve access to its markets for American manufactured tobacco products.

Background of Negotiations

The U.S. Government's efforts to negotiate the agreement originated with a request by the Semiconductor Industry Association, made in September 1980, that an agreement be negotiated with Japan to accelerate the implementation of the tariff cuts on semiconductors negotiated in 1979 in the Multilateral Trade Negotiations (MTN). Subsequently, agreement in principle on the mutual acceleration of the MTN tariff cuts was reached during the visit of Japanese Prime Minister Suzuki to Washington in May 1981.

Summary of Reasons for Entering into the Agreement and Anticipated Economic Effects

The mutual acceleration of U.S. and Japanese tariff reductions on semiconductors will substantially increase equity and reciprocity in the conditions of world semiconductor trade. Specifically, the agreement will contribute towards achieving equivalent market access for the two industries in both countires. Since the level of tariff protection has been higher in Japan than in the United States, these reductions

are expected to result in increased U.S. semiconductor exports to Japan. It also will increase shipments of semiconductors to Japan from U.S. subsidiaries elsewhere in Asia.

The reduction in the U.S. tariff rate on semiconductors will provide U.S. producers with substantial revenue benefits on their reimportation of semiconductors under the 806/807 U.S. tariff provisions. These additional resources will allow U.S. semiconductor producers to maintain the high level of investment, including research and development, that is necessary to remain competitive in this high technology industry.

Finally, the agreement will promote the growth of an industry employing a relatively higher skilled work force comprised to a large extent of technical, professional, and managerial employees.

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

September 30, 1981

The Honorable Yoshio Okawara
Japanese Ambassador to the United States
Embassy of Japan
Washington, D.C. 20008

Dear Mr. Ambassador:

On behalf of the Government of the United States of America, I would like to express my satisfaction that the trade between the United States of America and Japan in semiconductors has been steadily expanding.

In order to further facilitate such trade, I have the honor to inform you that, as a result of recent discussions between the representatives of our two governments, the Government of the United States of America will accelerate the reduction of its tariffs on semiconductors to the final concession rates of the Multilateral Trade Negotiations (MTN) in two stages. The details and timing of these reductions are described in the Annex to this letter. The Government of the United States of America also will reduce tariffs on two non-semiconductor articles, as described in the Annex.

The acceleration of the semiconductor tariff reductions described in the Annex is undertaken upon the understanding that the Government of Japan, subject to necessary domestic procedures, including Diet approval, similarly will accelerate its tariff reductions on semiconductors to the final concession rates of the MTN.

It is my firm belief that this mutual reduction of tariffs will serve not only to promote further our trade in semiconductors in a mutually beneficial manner but also to demonstrate our common commitment to further the principle of free trade. In particular, I appreciate the fact that the magnitude of the tariff reduction referred to above will be greater on the Japanese side and that as a result U.S. exporters will benefit. This reduction of Japanese tariffs on semiconductors to the final concession rates of the MTN will serve as further evidence of the increasing openness of the Japanese market.

I would also like to reiterate that the Government of the United States of America is firmly committed to the principle of open markets in semiconductors. The Government of the United States of America will continue to urge third countries to join in this commitment and to take steps for the liberalization of their markets. We welcome the support of the Government of Japan in this endeavor."

I have further the honor to request you to confirm my understanding that the Government of Japan will, subject to necessary domestic procedures, including Diet approval, similarly accelerate the reduction of its tariffs on semiconductors to the final concession rates of the MTN.

Accept, Excellency, the assurance of my highest consideration.

Very truly yours,

WILLIAM E. BROCK

Annex

TSUSA Item No.	Description	Rates of duty (Percent ad valorem) 1/1/82	1/1/83
	Transistors and other related electronic crystal components; all the foregoing and parts thereof:		
	Diodes and rectifiers:		
	Photo-sensitive:		
687.6554	Solar cells	4.24	4.2
687.6556	Other	4.24	4.2
687.6559	Zener	4.24	4.2
687.6561	Microwave	4.24	4.2
687.6562	Thyristors	4.24	4.2
	Other:		
687.6566	With a maximum current of 0.500 amperes or less	4.24	4.2
687.6567	Other	4.24	4.2
	Transistors:		
687.7025	With a dissipation rating of less than 1 watt	4.24	4.2
687.7027	With a dissipation rating of 1 watt or greater	4.24	4.2
	Monolithic integrated circuits:		
687.7531	Linear	4.24	4.2
	Other:		
	Bipolar:		
687.7533	Memory	4.24	4.2
	Other:		
687.7535	Transistor-transistor logic	4.24	4.2
687.7538	Emitter coupled logic	4.24	4.2
687.7540	Other	4.24	4.2
	Metal oxide silicon:		
	Memory:		
	Random acess:		
687.7541	Less than 9,000 bits	4.24	4.2

Annex (continued)

TSUSA Item No.	Description	Rates of duty (Percent ad valorem) 1/1/82	1/1/83
	Transistors and other related electronic crystal components, etc. (con.):		
	Monolithic integrated circuits (con.):		
	Other (con.):		
	Metal oxide silicon (con.):		
	Memory (con.):		
	Random access (con.):		
687.7542	9,000 bits and greater	4.24	4.2
687.7544	Other	4.24	4.2
687.7545	Microprocessor	4.24	4.2
687.7547	Other	4.24	4.2
687.7548	Other	4.24	4.2
687.7553	Other integrated circuits	4.24	4.2
	Other electronic crystal components (not including electronic tubes or mounted piezo-electric crystals), including parts not specially provided for:		
	Parts of semi-conductors:		
687.7581	Chips, dice, and wafers	4.24	4.2
687.7583	Other	4.24	4.2
687.7587	Other (not including parts of electronic tubes)	4.24	4.2
708.8500	Hand magnifiers, magnifying glasses, loupes, thread counters, and similar articles	9.6	8.8 1/
709.4000	Mechano-therapy appliances and massage apparatus and parts thereof	5.1	4.9 2/

1/ The rate of duty on item 708.85 will be further reduced according to the following schedule: 1/1/84, 8.1%; 1/1/85, 7.3%; 1/1/86, 6.6%.

2/ The rate of duty on item 709.40 will be further reduced according to the following schedule: 1/1/84, 4.7%; 1/1/85, 4.4%; 1/1/86, 4.2%.

Note.—The Government of the United States may withdraw, in whole or in part, the above acceleration of tariff reductions on semiconductors in case the acceleration in the reduction of Japanese tariffs on semiconductors to the final concession rates of the MTN is not put into effect from April 1982.

EMBASSY OF JAPAN
WASHINGTON, D. C.

September 30, 1981

Dear Ambassador Brock:

I have the honor to acknowledge the receipt of your letter and the Annex dated the 30th of September. I share your view that the reductions of the U.S. and Japanese tariffs on semiconductors will serve to promote our bilateral trade in a mutually beneficial manner. I note with satisfaction that the Government of the United States of America is firmly committed to the principle of open markets in semiconductors. The Government of Japan also is firmly committed to the principle of open markets in semiconductors and is prepared to join the Government of the United States of America in urging third countries to join in this commitment and to take steps for the liberalization of their markets.

Sharing the common commitment to further the principle of free trade, I have the honor to inform you that, as from April 1982, the Government of Japan intends to accelerate the reduction of its tariffs on semiconductors, subject to necessary domestic procedures, including Diet approval, and upon the understanding that the Government of the United States of America similarly will reduce its tariffs as described in your letter and Annex of this date. The details of the Japanese reductions are described in the Annex to this letter. In this connection, I would like to point out that the intended Japanese reductions are larger than the U.S. reductions.

Accept, Mr. Ambassador, the assurances of my highest consideration.

Yoshio Okawara
Ambassador of Japan

The Honorable
William E. Brock
U.S. Trade Representative
600 17th Street, N.W.
Washington, D. C. 20506

Annex

ITEM NO.	DESCRIPTION	RATE OF DUTY (PERCENT AD VALOREM) AS FROM APRIL 1982
	Diodes, transistors and similar semiconductor devices, integrated circuits:	
	Germanium diodes, silicon diodes, germanium transistors, silicon transistors, and silicon diodes for silicon rectifiers	
85.21.211	Uncased	4.20
	Other:	
85.21.291	Germanium diodes	4.20
85.21.292	Silicon diodes	4.20
85.21.294	Germanium transistors	4.20
85.21.295	Silicon transistors	4.20
85.21.296	Silicon diodes for silicon rectifiers	4.20
	Other:	
	Uncased:	
85.21.212	Integrated circuits	4.20
85.21.219	Other 1/	4.20
	Other:	
	Integrated circuits:	
85.21.297	Digital	4.20
85.21.298	Other	4.20
85.21.299	Other	4.20
85.21.330	Photocells	4.30
85.21.350	Parts of diodes, transistors and similar semiconductor devices, integrated circuits, and photocells 2/	4.30

1/ Except other uncased light emitting diodes

2/ Except parts of the following: thermionic valves and tubes, light emitting diodes, mounted piezo-electric crystals, microassemblies and cold cathode and photocathode valves and tubes.

Note:

The Government of Japan may withdraw, in whole or in part, the above acceleration of tariff reductions in case the acceleration of the reductions in U.S. tariffs on semiconductors to the final concession rates of the MTN is not put into effect as described in the Annex to the U.S. letter.

Summary of Exchange of Letters
Between the American Institute in Taiwan
and the Coordination Council for North
American Affairs Relating to Tariffs 1/

Explanation of Agreement

On December 31, 1981, the American Institute in Taiwan (AIT) and the Coordination Council for North American Affairs (CCNAA) exchanged letters detailing certain tariff concessions which will be made on a "most favored nation" basis by the United States that are expected to benefit certain industrial and agricultural exports from Taiwan. The major items covered by the U.S. concessions are puzzles, gymnastic and playground equipment and chess, checkers and other board games. Taiwan is the principal supplier of each item. All of the items receive GSP treatment; Taiwan has exceeded the competitive need formula on most of the items. Accordingly, the U.S. tariff reductions will not provide improved access for other LDC suppliers who are GSP beneficiaries. No reduction in the U.S. offer is greater than 1.8 percentage points. Imports from Taiwan of the affected products amounted to $124 million in 1980.

In consideration of those tariff concessions, the CCNAA described tariff concessions by Taiwan that are expected to benefit certain industrial and agricultural exports from the United States. Taiwan's concessions to the United States cover 28 agricultural and industrial items, the most important of which are various chemicals, leather, electric equipment and various horticultural products. The tariff reductions by Taiwan range between 5 and 40 percentage points and cover U.S. exports with a 1980 value of $56 million. Duties forgone by Taiwan as a result of these concessions are calculated at more than three times the duties forgone by the United States.

Both sides noted that they would have the same rights with regard to these tariff concessions that a contracting party to the General Agreement on Tariffs and Trade (GATT) would have with respect to articles bound in the GATT.

Background of Negotiations

In October 1981 tariff negotiations between the AIT and CCNAA were initiated because a significant number of U.S. producers had expressed interest in obtaining tariff reductions in the Taiwan market. Throughout the negotiations, U.S. negotiators consulted with the private sector and government product specialists to ensure that the U.S. tariff concessions were not in import-sensitive products and that requested concessions would benefit American exports.

Anticipated Economic Effect

The agreement promotes the economic interests of the United States by reducing tariffs that have hindered U.S. exports to the rapidly growing Taiwan market. Taiwan currently is the United States' third largest market in Asia, after Japan and Korea. The agreement also supports the U.S. trade policy objective of "graduation", by insisting that an advanced developing country improve access to its market in order to obtain permanent tariff reductions for its competitive products in the United States.

1/ The American Institute in Taiwan is authorized under section 6(b) of the Taiwan Relations Act, 22 U.S.C. §3305(b), to enter into trade agreements with respect to Taiwan where the President is granted statutory authority to enter into trade agreements. The President also has determined, as authorized by section 10(a) of the Taiwan Relations Act, that the Coordination Council for North American Affairs is an unofficial instrumentality authorized to take actions on behalf of Taiwan.

AMERICAN INSTITUTE IN TAIWAN
1700 N. Moore St.
17th Floor
Arlington, Virginia 22209
(703) 525-8474

December 31, 1981

Dr. Tsai Wei-ping
Representative
Coordination Council for
North American Affairs
5161 River Road
Bethesda, Maryland 20816

Dear Dr. Tsai:

As a result of discussions that occurred during December 7-9, 1981, concerning our bilateral trade, it was agreed that the parties represented by the American Institute in Taiwan will implement a number of tariff reductions that will benefit exports from the parties represented by the Coordination Council for North American Affairs. These tariff concessions are enumerated in Annex I to this letter. The reductions will be implemented on a Most Favored Nation basis in accordance with the staging schedule presented in Annex I.

We understand that, in consideration of the implementation of the above tariff reductions, the parties represented by the Coordination Council for North American Affairs will make the tariff reductions enumerated in Annex II, in accordance with the staging schedule in that Annex.

With regard to the tariff concessions in Annexes I and II, both parties shall have the same rights that a GATT contracting party would have with respect to articles bound in the GATT. After the agreement has been in effect for three years, it may be terminated by either party in six months after a notice of such termination to the other party.

With respect to other topics that were raised during the recent discussions, I would like to direct your attention to Annex III of this letter.

I request that you confirm that you concur with the contents of this letter. I propose that this letter with Annexes I, II, and III thereto and your letter of confirmation constitute an agreement between the American Institute in Taiwan and the Coordination Council for North American Affairs, to become effective September 30, 1982, or on a mutually agreed earlier date.

Sincerely,

Joseph B. Kyle
Corporate Secretary

Enclosures:
1. Annex I
2. Annex II
3. Annex III

ANNEX I

Tariff item number	Description of products 1/	Rate of duty 2/
		(Percent ad valorem)
	Vegetables (whether or not reduced in size), packed in salt, in brine, pickled, or otherwise prepared or preserved (except vegetables in subpart B of part 8 of schedule 1 of the Tariff Schedules of the United States):	
	[Beans, cabbage, chickpeas or garbanzos, black-eye cowpeas, onions, peas, pimientos, tomatoes, water chestnuts]	
	Other:	
	[Packed in salt, in brine, or pickled]	
	Other:	
141.78	Bamboo shoots in airtight containers.....	7.2
	Percussion musical instruments:	
725.32	Drums.....	4.8
	Bagatelle, billiard, and pool equipment (except tables), and parts thereof:	
	[Balls]	
734.10	Other.....	4.0
734.15	Chess, checkers, pachisi, backgammon, darts, and other games played on boards of special design, all the foregoing games and parts thereof (including their boards); mah-jong, and dominoes; any of the foregoing games in combination with each other, or with other games, packaged together as a unit in immediate containers of a type used in retail sales; poker chips and dice.....	4.64
	Lawn-tennis equipment, and parts thereof:	
	Rackets, whether or not strung:	
734.87	Strung.....	4.2
	Beach balls, play balls, toy balls, and other balls for games or sports, not provided for in the foregoing provisions of subpart D of part 5 of schedule 7 of the Tariff Schedules of the United States:	
735.09	Inflatable balls.....	4.8

Tariff item number	Description of products 1/	Rate of duty 2/
		(Percent ad valorem)
735.20	Puzzles; game, sport, gymnastic, athletic, or playground equipment; all the foregoing, and parts thereof, not specially provided for	4.64
772.35	Curtains and drapes, including panels and valances; napkins, table covers, mats, scarves, runners, doilies, centerpieces, antimacassars, and furniture slipcovers; and like furnishings; all the foregoing of rubber or plastics.....	3.36

1/ Bracketed matter is included to assist in understanding the product coverage of the concession item and does not itself describe concession products.
2/ The rate shown is the final stage of the concession. The concessions will be implemented in accordance with the following schedule:

Item No.	Rates of duty (percent ad valorem), effective with respect to articles entered on and after--					
	September 30, 1982	January 1, 1983	January 1, 1984	January 1, 1985	January 1, 1986	January 1, 1987
141.78	8.7	8.4	8.1	7.8	7.5	7.2
725.32	6.6	6.3	5.9	5.5	5.2	4.8
734.10	4.0	4.0	4.0	4.0	4.0	4.0
734.15	6.72	6.32	5.92	5.52	5.04	4.64
734.87	4.2	4.2	4.2	4.2	4.2	4.2
735.09	7.84	7.2	6.64	6.0	5.44	4.8
735.20	6.72	6.32	5.92	5.52	5.04	4.64
772.35	4.24	4.08	3.92	3.76	3.52	3.36

After the effective date of the first stage of reduction and before the full concession rate has become effective, in determining the effective date of the full concession rate and the intervals between the effective date of successive stages:

(i) the rate of duty provided for in this table shall le considered as being in effect even though a lower rate (including a free rate of duty) is being applied to an article to which such rate relates; and

(ii) there shall be excluded any time during which a rate of duty higher than that provided for in this table is being applied.

ANNEX II

Tariff item number	Description of Products	Rate of duty 2/
		(Percent ad valorem)
0105-0110	Live poultry for breeding	0.0
0105-9900	Others-for non-breeding	5.0
0405-0110	Eggs, fresh	30.0
0405-0190	Eggs, other	40.0
0405-0200	Egg yolks	40.0
0805-0210	Walnuts, shelled	25.0
0807-0300	Cherries, fresh	40.0
0812-0210	Prunes, dried, packed in boxes	30.0
0812-0220	Prunes, dried, packed in bulk	30.0
1208-0210	Seed, apricot, sweet	25.0
1502-0290	Other tallow produced from fats of bovine cattle, sheep or goats, of acid value 1 or less	10.0
2006-0400	Almonds, prepared or preserved	35.0
2007-0110	Orange Juice	60.0
2914-0100	Acetic acid (including glacial acetic acid)	15.0
2914-0400	Ester and salt derivatives of monocarbozylic acids 1/	15.0
2921-0300	Carbonic esters and their salts, and their halogenated, sulphonated, nitrated or nitrosated derivatives 1/	15.0
3005-0100	Sterile surgical catgut and similar sterile suture materials	15.0
3005-0500	Dental materials, n.e.s.	20.0
4102-0100	Upper leather of cattle and calf	25.0
4414-0100	Wood sawn lengthwise, sliced or peeled but not further prepared, of a thickness not exceeding 5 mm.	10.0
4821-0810	Diapers for infants	30.0
5802-0300	Other carpets, carpeting, rugs, mats and matting, and "kelem", "schumacks" and "karamanie" rugs and the like (made up or not), of synthetic or regnerated fibers.	65.0

ANNEX II

Tariff item number	Description of Products	Rate of duty 2/
6202-0111	Of cotton, bed linen, table linen, toilet linen and kitchen linen	50.0
7013-0600	Flower vases	40.0
7013-0700	Ovenware	40.0
7013-0800	Barware	40.0
7103-0311	Single crystal cultured quartz for industrial use	10.0
8501-0320	Transformers, 3,000-70,000 volts	25.0
8504-0100	Electric accumulators, complete	25.0
8516-9900	Other, electric traffic control equipment (not including railway and tramway use)	15.0
8518-0100	High voltage power capicitors	15.0

1/ With respect to tariff concessions on these items, CCNAA notes that the items presently are not manufactured on a large scale by the parties represented by CCNAA. If facilities for production of articles within these tariff classifications are established on a large scale and, as a result, it becomes necessary to introduce new tariff classifications, the following conditions apply: (1) any new tariff categories will be subcategories of the existing tariff numbers, and (2) if reclassification results in higher tariffs affecting U.S. trade, AIT and CCNAA will consult for purposes of restoring the balance of the agreement in accordance with the practices that normally would apply between two GATT contracting parties.

2/ The rate shown is the final stage of the concession. The concessions will be implemented in accordance with the following schedule:

Item No.	Rates of duty (percent ad valorem), effective with respect to articles entered on and after --					
	Sept. 30, 1982	Jan. 1, 1983	Jan. 1, 1984	Jan. 1, 1985	Jan. 1, 1986	Jan. 1, 1987
0105-0110	0	0	0	0	0	0
0105-9900	5	5	5	5	5	5
0405-0110	39	38	36	34	32	30
0405-0190	61	57	53	49	45	40
0405-0200	61	57	53	49	45	40
0805-0210	38	36	34	31	28	25
0807-0300	40	40	40	40	40	40
0812-0210	43	41	39	36	33	30
0812-0220	43	41	39	36	33	30
1208-0210	38	36	34	31	28	25
1502-0290	23	21	19	16	13	10
2006-0400	69	63	56	49	42	35
2007-0110	60	60	60	60	60	60
2914-0100	20	19	18	17	16	15
2914-0400	20	19	18	17	16	15
2921-0300	20	19	18	17	16	15
3005-0100	15	15	15	15	15	15
3005-0500	20	20	20	20	20	20
4102-0100	34	33	31	29	27	25
4414-0100	10	10	10	10	10	10
4821-0810	30	30	30	30	30	30
5802-0300	65	65	65	65	65	65
6202-0111	71	67	63	59	55	50
7013-0600	49	48	46	44	42	40
7013-0700	49	48	46	44	42	40
7013-0800	49	48	46	44	42	40
7103-0311	10	10	10	10	10	10

Item No.	Rates of duty (percent ad valorem), effective with respect to articles entered on and after --					
	Sept. 30, 1982	Jan. 1, 1983	Jan. 1, 1984	Jan. 1, 1985	Jan. 1, 1986	Jan. 1, 1987
8501-0320	25	25	25	25	25	25
8504-0100	30	29	28	27	26	25
8516-9900	15	15	15	15	15	15
8518-0100	24	23	21	19	17	15

ANNEX III

The American Institute in Taiwan (AIT) takes note of the request by the Coordination Council for North American Affairs (CCNAA) that import relief be terminated for the following types of mushrooms: straw mushrooms, golden mushrooms, oyster mushrooms and summer oyster mushrooms, in airtight containers; and agaricus mushrooms, in glass jars and/or in butter sauce.

The American Institute in Taiwan also takes note of CCNAA's intention to petition during the 1982 review cycle for inclusion of items of interest to it on the list of eligible items for the United States Generalized System of Preferences (GSP). Serious consideration will be given to GSP petitions on those products. The Coordination Council for North American Affairs also expressed particular interest in the following items: TSUSA Numbers 112.05, 112.30, 114.20 and 141.88. Serious consideration will be given to GSP petitions on those products or, subject to principal supplier positions and appropriate domestic advice, tariff reductions in the event that new tariff negotiating authority becomes available in the future.

During the discussions, CCNAA requested tariff reductions on the items enumerated below. As these items were not among those on which advice was sought from the United States International Trade Commission under section 124 of the Trade Act of 1974, tariff concessions on these items are not legally possible under that section. The Coordination Council for North American Affairs requested that the American Institute in Taiwan take note of CCNAA's interest in tariff reductions on these items in the event that new tariff negotiating authority becomes available in the future. AIT responded that if such authority were forthcoming, AIT would give serious and as favorable as possible consideration to including these items within the scope of its negotiating mandate.

TSUSA NUMBERS

141.70	653.85	700.61	732.14
144.20	653.93	700.62	732.18
204.50	654.07	700.63	732.24
206.47	654.12	700.64	732.26
206.96	657.24	700.67	734.51
240.19	685.50	700.69	734.90
355.25	687.43	727.35	737.25
534.94	688.10	731.15	737.95
545.85	696.10	732.02	750.35
646.84	696.35	732.06	751.05
648.97	700.57	732.08	770.53
653.47	700.58	732.10	770.71
653.48	700.59	732.12	771.45
			790.39

北美事務協調委員會駐美國辦事處

Coordination Council for North American Affairs
Office in U.S.A.
5161 River Road, Washington, D.C. 20016

December 31, 1981

Dear Mr. Kyle:

I have the pleasure to acknowledge the receipt of your letter of December 31, 1981 which reads as follows:

"As a result of discussions that occurred during December 7-9, 1981, concerning our bilateral trade, it was agreed that the parties represented by the American Institute in Taiwan will implement a number of tariff reductions that will benefit exports from the parties represented by the Coordination Council for North American Affairs. These tariff concessions are enumerated in Annex I to this letter. The reductions will be implemented on a Most Favored Nation basis in accordance with the staging schedule presented in Annex I.

We understand that, in consideration of the implementation of the above tariff reductions, the parties represented by the Coordination Council for North American Affairs will make the tariff reductions enumerated in Annex II, in accordance with the staging schedule in that Annex.

With regard to the tariff concessions in Annexes I and II, both parties shall have the same rights that a GATT contracting party would have with respect to articles bound in the GATT. After the agreement has been in effect for three years, it may be terminated by either party in six months after a notice of such termination to the other party.

With respect to other topics that were raised during the recent discussions, I would like to direct your attention to Annex III of this letter.

I request that you confirm that you concur with the contents of this letter. I propose that this letter with Annexes I, II, and III thereto and your letter of confirmation constitute an agreement between the American Institute in Taiwan and

the Coordination Council for North American Affairs, to become effective September 30, 1982, or on a mutually agreed earlier date."

In reply, I have the pleasure to accept the proposals as set forth in your letter quoted above and in Annexes I, II, and III thereto, and to confirm that your letter and this letter in reply shall constitute an agreement between AIT and CCNAA to become effective September 30, 1982, or on a mutually agreed earlier date.

Sincerely yours,

Tsai Wei-ping
Representative

Mr. Joseph B. Kyle
Corporate Secretary
American Institute in Taiwan
1700 N. Moore Street
17th Floor Arlington, VA 22209